



**STATE BOARD OF EQUALIZATION
STAFF LEGISLATIVE ENROLLED BILL ANALYSIS**

DRAFT

Date Amended:	Enrolled	Bill No:	AB 2032
Tax:	Oil Spill Prevention and Administration Fee	Author:	Hancock
Related Bills:	AB 2547 (Leno) AB 2911 (Wolk)		

This analysis only addresses the provisions that impact the Board.

BILL SUMMARY

This bill would increase the current limit of the Oil Spill Prevention and Administration Fee from five cents (\$0.05) to eight cents (\$0.08) per barrel of crude oil or petroleum product.

ANALYSIS

CURRENT LAW

Under existing law, Section 8670.40 of the Government Code imposes an **oil spill prevention and administration fee**, currently set at a rate of five cents (\$0.05) per barrel, upon crude oil received at a marine terminal from within or outside the state, and upon petroleum products received at a marine terminal from outside the state. The fee is collected by the marine terminal operator from the owner of the crude oil or petroleum product based on each barrel that is received from a vessel operating in, through, or across the state's marine waters. Additionally, a pipeline operator pays the fee for each barrel of crude oil originating from a production facility in marine waters and transported in the state through a pipeline operating across, under, or through the state's marine waters.

The fee amount is set by the administrator, an appointee of the Governor in the Department of Fish and Game. The administrator annually prepares a plan that projects revenue and expenses over three fiscal years and uses the projections to set the fee to meet the current and proposed state budget. The administrator may allow for a surplus if revenues are expected to be exhausted or for possible contingencies.

The fee is paid to the State Board of Equalization (Board) on a monthly basis and deposited into the Oil Spill Prevention and Administration Fund. The moneys in this fund are not used for responding to an oil spill, but rather are used to fund oil spill prevention programs and various studies related to oil spills.

The Board also collects an **oil spill response fee** as required by Government Code Section 8670.48. A uniform oil spill response fee is paid by specified marine terminal operators, pipeline operators, and refiners, in an amount not exceeding \$0.25 per barrel of petroleum product or crude oil. The Board collects the fees and deposits all proceeds into the Oil Spill Response Trust Fund.

PROPOSED LAW

This bill would amend Section 8670.40 of the Government Code to increase the limit of the oil spill prevention and administration fee from five cents (\$0.05) to eight cents (\$0.08) per barrel of crude oil or petroleum product.

BACKGROUND

In 1990, Senate Bill 2040 (Chapter 1248, Keene) added and Senate Bill 7 (Chapter 10, Keene) amended Section 8670.48 of the Government Code to impose the Oil Spill Prevention and Administration Fee. These bills enacted the Lempert-Keene-Seastrand Oil Spill Prevention and Response Act. The Act added provisions to the Government Code (§8670.1 et seq.), the Public Resources Code (§8750 et seq.), and the Revenue & Taxation Code (§46001 et seq.) The Act covers all aspects of marine oil spill prevention and response in California.

COMMENTS

1. **Sponsor and Purpose.** This bill is sponsored by the author in response to the oil spill that occurred after a container ship, the Cosco Busan, struck the Bay Bridge on November 7, 2007. The purpose of this bill is to provide a sufficient source of funds to cover authorized oil spill prevention costs.
2. **Amendments.** The **August 12 amendments** double joined this bill to AB 2911, a bill that would, among other things, provide funding for the Oiled Wildlife Care Network. These amendments will prevent any chaptering out issues should both bills be enacted. The **June 9, 2008 amendments** deleted the provisions related to an inflation index on the “designated amount” of the Oil Spill Response Trust Fund. **The May 23, 2008 amendments** provided that the annual assessment of the oil spill prevention and administration fee may not exceed eight cents (\$0.08) per barrel of crude oil or petroleum products. Additionally, the administrator would choose an inflation index to apply to the “designated amount” of the Oil Spill Response Trust Fund, with an adjustment made if the inflation rate index reached 5 percent.
3. **A possible increase in the oil spill prevention and administration fee would not create administrative problems for the Board.** The Board currently administers and collects this fee. As previously explained, the administrator would set the oil spill prevention and administration fee in accordance with an annual plan. The rate is currently set at five cents (\$0.05) per barrel of crude or petroleum product. If the rate should change to eight cents (\$0.08) the Board will have no difficulty in administering a rate increase.
4. **Related Legislation.** Assembly Bill 2547 (Leno), among other things, provides for an annual grant of up to \$1 million from the oil spill response trust fund to encourage and improve oil spill prevention technologies and procedures.

Assembly Bill 2911 (Wolk), would, among other things, allow funds from the oil spill prevention and administration fee to be used to cover costs incurred by the Oiled Wildlife Care Network. The bill also allows the administrator to request a Budget appropriation of up to \$2 million of the interest earned from the oil spill response trust fund to increase the funding for the oiled wildlife rescue and rehabilitation stations.

COST ESTIMATE

The Board would incur minor costs to administer this measure. These costs would be attributable to, among other things, advising and answering inquiries from the public, identifying and noticing affected feepayers, informing Board staff, and working with the administrator to impose and stop collection of the oil spill response fee. These costs are expected to be absorbable.

REVENUE ESTIMATE**BACKGROUND, METHODOLOGY, AND ASSUMPTIONS**

In fiscal year 2006-07 the Board collected over \$28 million in oil spill prevention and administration fees at the current maximum rate of \$0.05 per barrel of crude oil or petroleum products. This bill would increase that maximum rate by 60% to \$0.08 per barrel of crude oil or petroleum products. If the fee was increased to the new maximum rate of \$0.08 per barrel, amounts deposited into the Oil Spill Prevention and Administration Fund would increase by \$16.8 million (60% x \$28 million).

REVENUE SUMMARY

If the fee was increased to the maximum allowed by this bill, the estimated annual revenue deposited into the Oil Spill Prevention and Administration Fund would be \$44.8 million, an increase of \$16.8 million.

Analysis prepared by:	John Cortez	916-445-6662	08/28/08
Revenue estimate by:	Bill Benson	916-445-0840	
Contact:	Margaret S. Shedd	916-322-2376	
Is			

2032enr.doc

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position.